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Report Highlights:

Restrictions on Purchasing Foreign Products for Government and Municipal Needs... Russia Lifts and Decreases Export Duties on Fish, Seafood, and Oilseeds... Russia Extends Food Embargo List to Include Salt... Non-Alcoholic Beverages Containing Sugar May Become More Expensive... Department of Information Policies and Special Projects Established at the Ministry of Agriculture... Government approved the Requirements for Organization of Sites for the Sale of Food Products in Retail Markets... GOR Distributed Federal Subsidies for Priority Agricultural Projects between Provinces... Egyptian Zero *Ergot* Requirement for Imported Wheat May Affect Russia's Wheat Exports... Atyrau Region Cattle Struck by Nodular Dermatitis... Kazakhstani Food Prices Hit by Inflation... Paris Agreement on Climate Change... Russia Continues to Detain Cargo Transiting to Kazakhstan

General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Restrictions on Purchasing Foreign Products for Government and Municipal Needs:

On August 22, 2016, Russian Government issued [Decree # 832](#) to ban goods originating from non-EAEU member countries for public procurement purposes. The Decree contains a list of various products subject to the ban, including chilled and frozen beef and veal, chilled and frozen pork, chilled (but not frozen) poultry meat, and frozen and chilled fish. <http://government.ru/docs/24284/>

In autumn 2015, Agriculture Minister Alexander Tkachyov estimated 32 million individuals benefit from government procurement of food products under Federal Law FZ-44, including the military, educational institutions, and hospitals. Tkachyov stated that currently only 60 percent of food products procured for municipal and federal government customers comes from domestic sources. Market players believe that adoption of such a resolution may lead to increasing prices and not necessarily to improving quality of food products.

<http://www.rbc.ru/business/01/11/2015/5631e9519a79475bb6705b11>

Russia Lifts and Decreases Export Duties on Fish, Seafood, and Oilseeds: Government Resolution No. 797 of August 15, 2016, called for decreases and lifting of export duties on certain types of fish, seafood, oilseeds, wood products, and some other non-agricultural products in accordance with Russia's WTO commitments. The lifting or decrease in duties will be effective September 1, 2016. Thus, export duties on fish, such as different species of salmon (HS Codes 030311, 030312, 030313, 030314) halibut (HS 0303311, 0303313, 0303319), tuna (HS Codes 0303441, 0303449, 03034512) and cod (HS Codes 0303631, 0303633) are lifted, and certain seafood products, such as shrimp (HS Codes 03061792, 03061794, 03061799), some crab species (HS Codes 0306141, 0306143, 0306149), and crayfish (HS Codes 03062981, 03062989) equaled to zero. The export duty on soybeans (HS Codes 1201 10 000 0 and 1201 90 000 0) were decreased to zero from September 1, 2015, and the Resolution confirmed the status of soybean exports as "duty free". The export duty on sunflower seeds (HS Codes 1206 00 100 0, 1206 00 910 0, and 1206 00 990 0) decreased from 9.88 percent, but not less than 14.81 Euro per 1 MT to 6.5 percent, but not less than 9.75 Euro per 1 MT. <http://www.garant.ru/hotlaw/federal/864225/>; <http://www.tks.ru/news/nearby/2016/08/30/0006>

Russia Extends Food Embargo List to Include Salt: On September 10, 2016, Prime Minister Dmitry Medvedev signed Resolution #897 "On Introducing Amendments into the Attachment of the Russian Government Resolution #778 dated August 7, 2014". Starting from November 1, 2016, Russia will introduce a ban on salt shipments from countries subject to the "counter-sanctions" food import

embargo, including the European Union, Ukraine and the United States. Ukraine accounts for about 40 percent of Russia's salt imports. According to the Resolution the following position will be restricted for import into the territory of the Russian Federation: HS Code 250100 – Salt (including table and denatured) and pure sodium chloride, whether or not in aqueous solution or containing added anti-caking or free-flowing agents, as well as sea water.

<http://publication.pravo.gov.ru/Document/View/0001201609130004>

Non-Alcoholic Beverages Containing Sugar May Become More Expensive: The Ministry of Finance plans to introduce a new five rubles per liter excise tax for non-alcoholic drinks containing sugar. Ministry officials expect that the new tax will generate revenue of 25 billion rubles in 2017. It is not yet clear which products will be subjected to the new excise. However, the Russian Federal Anti-Trust Office assumes that the new tax will lead to an increase in consumer prices, potentially lowering the sales which could affect tax income in other ways.

Dmitry Petrov, the President of Non-Alcoholic Drinks Producers Alliance has stated that pressure on production costs could ruin the industry. Annual sales on such non-alcoholic beverages have already dropped from 10 to 15 percent since 2014. Smaller regional producers are being squeezed out of the business as people have been decreasing their consumption of sweet carbonated drinks. Mr. Petrov estimates that the new tax measure could lead to a drop of 25 to 30 percent in sales. Mr. Petrov has suggested that raising the VAT for sugar from the preferential ten percent to the common 18 percent rate could be a more effective way to discourage sugar consumption.

<http://www.rbc.ru/business/31/08/2016/57c640589a794722dd859407>

Department of Information Policies and Special Projects Established at the Ministry of

Agriculture: A new Department of Information Policies and Special Projects was established at the Ministry of Agriculture. Along with information support of the Ministry of Agriculture and communication with the regions, the Department will coordinate the organization of exhibitions, fairs and conferences, as well as implement projects and programs aimed at supporting the promotion of domestic products in domestic and foreign markets, and improving the competitiveness of domestic producers. <http://www.mcx.ru/news/news/show/54646.355.htm>

Government approved the Requirements for Organization of Sites for the Sale of Food Products in Retail Markets: Government Resolution No.885 of September 6, 2016, approved the rules for calculation of minimum required space for organization of sites for the sale of food products in retail markets. The Resolution was initiated by the Russian Ministry of Industry and Trade in order to maintain the food products trade in retail markets and to facilitate access of the populace to relatively cheap food products. According to Rosstat, from 2006 through 2014, the share of trade in retail markets in the total volume of retail trade in Russia decreased from 19.6 percent to 8.8 percent, primarily affecting trade in food products, although these retail markets, including agricultural retail markets and cooperative markets play a very important role in the supply of perishable products to the population, and in the ability of individual entrepreneurs and households to sell their products.

<http://government.ru/docs/24495/>

GOR Distributed Federal Subsidies for Priority Agricultural Projects between Provinces:

Government Order No. 1857 of September 3, 2016 returned 2.67 billion rubles¹ of previously saved

¹ For reference 1\$ is 64.5 rubles

MinAg's 2016 budget allocations to the Ministry of Agriculture for subsidizing investments in the multi-years MinAg's sub-programs for construction and modernization of fruit storage facilities (415.9 million rubles), potato and vegetable storage facilities (1.5 billion rubles), animal and plant breeding and selection centers (752.2 million rubles), and green house facilities (1.86 billion rubles). The same GOR Order approved the distribution of 2016 federal subsidies between provinces for co-financing of the following programs: construction and modernization of fruit storage facilities (812.4 million rubles), construction and modernization of potato and vegetable storage facilities (275.6 million), construction and modernization of greenhouses (5.7 billion rubles), construction and modernization of dairy farms (4.02 billion rubles), construction and modernization of animal and plant breeding and selection centers (378.6 million rubles), and creation of wholesale distribution centers (426.4 million rubles).
<http://pravo.gov.ru/laws/acts/66/49565355451088.html>

Egyptian Zero *Ergot* Requirement for Imported Wheat May Affect Russia's Wheat Exports in MY 2016/17: In August 2016, Egypt strengthened control over imported wheat and resumed its requirement for zero *Ergot* in shipped wheat. This requirement and tightened phytosanitary control actually suspended all wheat exports to Egypt, including from Russia. In MY 2015/16 (July-June) Russia exported to Egypt 6.2 MMT of wheat (worth \$1.1 bln) or 25 percent of its total wheat exports. In the period July 1, 2016 through August 22, 2016, Russia exported to Egypt 274 TH MT of wheat (http://www.ng.ru/economics/2016-09-12/1_egypt.html.) In the end of August 2016 all Russian wheat export to Egypt was suspended. Russia's Ministry of Agriculture officials claim that closure of Egyptian market will not seriously affect Russian wheat exports in MY 2016/17, although industry analysts consider that this is a very important negative factor. Meanwhile, the Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) calls for immediate negotiations with the Egyptian phytosanitary authorities under the excuse that quarantine pests are frequently detected in citrus fruits that Egypt exports to Russia. If the phyto issues are not negotiated, Russia may temporarily ban imports of these fruits (VPSS's press releases of [September 14](#) and [September 13](#), 2016). According to Russian Customs, in the same period (July 2015-June 2016) Russia imported from Egypt 324 TH MT of fruits and nuts (worth \$191 million), and 235 TH MT of vegetable and potato (worth \$91.5 million). Russian mass media reported on these VPSS plans and connect these plans with the suspended wheat exports from Russia to Egypt (tass.ru/ekonomika/3616345 and vedomosti.ru/business/articles/2016/09/13/656752.) Earlier media speculated that wheat issue may be used by Egyptian side for speeding up Russia's decision to open Egypt for Russian tourists (http://www.ng.ru/economics/2016-09-12/1_egypt.html.)

The news items below on agricultural situation in Kazakhstan are sourced from www.interfax.kz. Please refer to this site for more information.

Atyrau Region Cattle Struck by Nodular Dermatitis: The number of cows infected with nodular dermatitis in Atyrau region exceeded 5,000 heads, out of nearly 80,000 officially registered cattle, according to the Regional Veterinary Department. More than 500 cows have died, primarily in the Kurmangazy and Isatai districts. These two districts, as well as the suburbs of Atyrau (the administrative center of the region), were put into quarantine due to the cattle deaths from nodular dermatitis. Bovine modular dermatitis (nodular dermatitis in cattle) is an infectious disease; however, it is not passed from animals to humans.

Kazakhstani Food Prices Hit by Inflation: Kazakhstan's Statistics Committee reported that the July

2016 prices for basic food products were 15.9 percent higher than the same period last year. The largest price increase was seen for sugar which is up 65.4 percent. Prices for cooking grains increased percent, coffee and tea 31.3 percent, eggs 29.7 percent, and bread 27.1 percent. The price of flour rose 12.4 percent, dairy products 8.3 percent, and meat and meat products 6.3 percent. Media sources reported that due to a run on sugar some shops had begun rationing. The Statistics Committee reported total annual inflation for July as 17.7 percent, higher than previously projected. Inflation on non-food products, most of which are imported, rose 27.7 percent. Official GOK sources continue to maintain that the post-devaluation inflation will fade out in the second half of 2016. The Head of the Financial Stability Department of the National Bank of Kazakhstan predicted that annual inflation will settle at 9 percent by the end of 2016. If accurate, his prediction would land close to the projected inflation rate of 6-8 percent.

Paris Agreement on Climate Change: Kazakhstani Foreign Minister, Yerlan Idrisov, recently signed the Paris Agreement on Climate Change and met with UN Secretary-General Ban Ki-Moon. According to Idrisov, Kazakhstan will ratify the Paris Agreement before the end of 2016. He reiterated Kazakhstan's unconditional commitment to a 15 percent reduction of greenhouse gas emissions by 2030 and its conditional commitment (subject to additional financial assistance) to reduce levels by 25 percent. Both commitments are based on Kazakhstan's 1990 levels, which are higher than current emissions. The Kazakhstani government has set a long-term goal of generating half of all electrical power from renewable sources by 2050.

Russia Continues to Detain Cargo Transiting to Kazakhstan: Ukraine's Ministry of Economic Development reported that 143 railway cars destined for Kazakhstan and Kyrgyzstan were detained at the Russian-Ukrainian border on July 1st. Of those, the Ministry said 106 cars were redirected to alternate routes, 33 returned to the shipping companies, and four cars remained at the border railway station. While Kazakhstan's transport authorities are trying to enhance transit capacities via alternative routes, local businesses are reporting losses. One entrepreneur from the West Kazakhstan region lamented that the transit ban on Ukrainian goods introduced by President Putin has caused substantial losses for local businesses, with transportation costs doubling. Another entrepreneur stated that the Kazakhstani government was not addressing the problem and suggested that Kazakhstan should quit the Eurasian Economic Union, given Russia's uncooperative behavior.